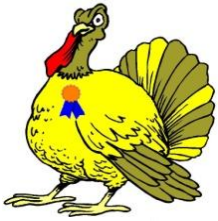




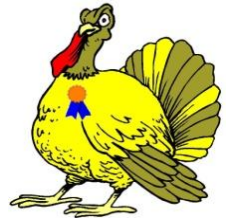
## THE RSC GOLDEN TURKEY AWARD

### The Case of the Color Blind Regulators

*June 2011*



The RSC Golden Turkey Award highlights absurd – yet obscure – government regulations. These bureaucratic rules hit taxpayers' wallets with a one-two punch. First you pay to enforce them, then you pay to follow them.



**IN THIS MONTH'S EDITION: Banks are now being penalized by federal regulators for working WITH borrowers to modify their loans.**

Federal financial regulators are shuttering community banks, killing jobs and our economic recovery. Regulators are arbitrarily forcing banks to assign *performing* loans to non-accrual status, which prevents the financial institution from recognizing interest income on the loan even when the borrower is current and has been making payments. Banks are therefore severely limited in (or deterred from) working with businesses and homeowners seeking loans and loan modifications.

An enormous disconnect persists between federal financial regulators in Washington and the examiners and auditors who review bank operations in congressional districts. Banks are being penalized for working with borrowers to modify loans or accepting payments from someone other than the borrower. In some cases, regulators assign the loan to non-accrual because they refuse to accept that a borrower is actually making payments.

Modifying the terms of the loan can help the family or small business continue making payments on the loan, and can result in one less property going into foreclosure. This is a common sense approach and does not require a new government program. Common sense says that if you are making your loan payments on time, including instances where your local bank has revised the terms of your loan, then regulators should not force local banks to foreclose on property or consider your loan to be in non-accrual status. However, bank regulators are doing just that.

It's only fitting that these color blind bank regulators receive the RSC Golden Turkey Award for not being able to tell the difference between a loan in the red, and one in the black. Their actions defy common sense and hurt our economic recovery.

Rep. Posey (R-FL) has introduced H.R. 1723, the Common Sense Economic Recovery Act of 2011. This forward-thinking solution would halt the forced, adverse recategorization of current, non-delinquent, amortizing loans. This legislation also directs regulators to report to Congress on ways to prevent contradictory guidance from the financial regulators. Rep. Posey's efforts bring to light the enormous disconnect between federal financial regulators and operations in local banks.

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